

Message Text

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PAGE 01 LAGOS 00175 01 OF 02 061318Z

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FM AMEMBASSY LAGOS

TO SECSTATE WASHDC IMMEDIATE 5744

C O N F I D E N T I A L SECTION 1 OF 2 LAGOS 0175

E.O. 11652: GDS

TAGS: CASC, NI, US, EINV, EFIN

SUBJECT: AIG CASE: MEETING IN LAGOS

REF: 77 LAGOS 14956

SUMMARY: JANUARY 5 MEETING BETWEEN AIG REPRESENTATIVES AND FMG ECONOMIC DELEGATION PROVED TO BE INCONCLUSIVE REVIEW OF BOTH SIDES' POSITIONS. THERE WAS SOME CLARIFICATION OF VIEWS BUT NO PROGRESS THROUGH NEGOTIATION. AIG CONCLUDES THAT WE HAVE GONE AS FAR AS WE CAN IN ANY APPROACH BASED ON TECHNICAL DISCUSSIONS AND THAT HIGH-LEVEL FMG DECISION ON POLITICAL BASIS IS CRUCIAL TO RESOLVE IMPASSE. EMBASSY IS REQUESTING MEETING FOR AMBASSADOR WITH MEA COMMISSIONER GARBA TO MAKE CLEAR THE HARMFUL CONSEQUENCES OF POSSIBLE EXPROPRIATION ACTION. AIG REPRESENTATIVES BELIEVE THAT EXPROPRIATION CLAIM SHOULD BE FILED IF FMG DOES NOT ACCEPT COMPROMISE ARRANGEMENT IN NEAR FUTURE. END OF SUMMARY.

1. MEETING TOOK PLACE JANUARY 5 BETWEEN AIG REPRESENTATIVES AND NIGERIAN DELEGATION CONSISTING OF TWO MEA, FIVE MINFINANCE, ONE CENTRAL BANK AND TWO MINTRADE OFFICIALS. MINFINANCE PERMSEC BELLO WHO WAS TO CHAIR MEETING SENT APOLOGIES THAT HE HAD BEEN CALLED TO DODAN BARRACKS AT LAST MINUTE. MINTRADE PERMSEC ALHAJI ALSO ABSENT WITH FEEBLE EXPLANATION GIVEN THAT HE WAS AT BUDGETARY CYCLE MEETING. MEA ECONOMIC DEPARTMENT DIRECTOR
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PAGE 02 LAGOS 00175 01 OF 02 061318Z

AFOLABI CHAIRED MEETING EFFECTIVELY. MOST VALUABLE PARTICIPANT ON FMG SIDE WAS DIRECTOR OF INSURANCE OKWOR.

2. MEETING OF ONE HOUR AND 50 MINUTES DURATION MAINLY CHARACTERIZED BY RESTATEMENT OF POSITIONS ON BOTH SIDES. FIRST AND MAIN PART OF SESSION CONSISTED OF EXCHANGE OF VIEWS AS TO WHETHER FMG HAS SHOWED DISCRIMINATION AGAINST COMPANY. FMG

ARGUED THAT IT HAD TAKEN ALL FACTORS INTO ACCOUNT AND THAT AIG WAS THE ONLY ONE OF FOURTEEN INSURANCE COMPANIES THAT WOULD NOT ACCEPT GOVERNMENT CONCLUSIONS. AIG EMPHASIZED THAT IT COULD NOT AGREE ON METHODS WHICH FMG HAS USED TO EVALUATE SHARES AND PRESENTED ITS ARGUMENTS DEMONSTRATING HOW COMPANY MERITED DIFFERENT TREATMENT FROM OTHER INSURANCE FIRMS IN NIGERIA.

3. FMG STATED THAT EVALUATION AND TRANSFER OF 49 PERCENT OF EQUITY HAD BEEN COMPLETED BUT COMPANY RESPONDED THAT THIS WAS INCORRECT. AIG HAD NOT ACCEPTED PROPOSAL. FMG QUESTIONED WHY COMPANY HAD NOT REPLIED TO ITS PROPOSAL AND AIG POINTED OUT THAT SUCH PROPOSALS COULD ONLY BE ANSWERED AFTER A DIRECT REQUEST WAS MADE TO CORPORATE HEADQUARTERS IN DELAWARE RATHER THAN TO THE LOCAL JOINT VENTURE COMPANY IN NIGERIA.

4. FURTHER DIFFERENCES OF OPINION WERE EXPRESSED OVER THE TECHNICAL SALES AGREEMENT (TSA), COMPANY STATING THAT THE AGREEMENT HAD BEEN ACCEPTED BY FMG-APPOINTED NIGERIAN MEMBERS OF JOINT VENTURE'S BOARD OF DIRECTORS IN 1977. COMPANY HAD THEN SOUGHT FORMAL APPROVAL OF TSA FROM MIN FINANCE. COMPANY COMPLAINED THAT APPROVAL HAD NOT BEEN FORTHCOMING DESPITE FACT THAT AIG WAS INCURRING FINANCIAL OUTLAYS FOR THE SERVICES (MANAGEMENT, TRAINING, ETC.) WHICH WERE BEING SUPPLIED BUT NOT BEING REIMBURSED. FMG DELEGATION RETORTED THAT THE SITUATION HAD CHANGED FROM THE TIME THE TSA HAD BEEN DRAFTED IN 1974. AS 'NIGERIA NOW OWNED 60 PERCENT OF FIRM' IT WAS NOT A MATTER OF APPROVAL OF AN EXISTING

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PAGE 03 LAGOS 00175 01 OF 02 061318Z

DOCUMENT BUT OF NEGOTIATION OF A NEW AGREEMENT. CERTAIN POINTS IN OLD AGREEMENT NEEDED ALTERATION AND THERE WAS QUESTION WHETHER PRVIOUS TERMS HAD BEEN TOO GENEROUS.

5. IN SUMMING UP MEETING, AXQABI STATED THAT NIGERIA WANTS JUSTICE AND FAIRNESS TO PREVAIL (BEFORE THE MEETING HE SMILINGLY ANNOUNCED THAT HE PERSONALLY POSSESSED A BIG LIFE INSURANCE POLICY) BUT THAT QUOTE NIGERIA'S SOVEREIGN RIGHTS HAD TO BE RESPECTED UNQUOTE. HE ACCENTED THREE POINTS:

- A. THE ACQUISITION OF 49 PERCENT NIGERIAN OWNERSHIP HAD BEEN ACCOMPLISHED AND WAS A CLOSED ISSUE;
- B. IF THE COMPANY DISAGREED WITH THE EVALUATION FOR THE SECOND 11 PERCENT OF ITS SHARES, IT COULD APPEAL TO CIC;

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PAGE 01 LAGOS 00175 02 OF 02 061307Z
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C O N F I D E N T I A L SECTION 2 OF 2 LAGOS 0175

C. THE TSA WAS OPEN FOR NEGOTIATION.

6. IN SUMMARIZING FOR AIG, ABOUZEID STATED:

A. AIG TOTALLY DISAGREED WITH THE METHODS USED IN THE EVALUATION OF SHARES, BOTH IN REGARD TO THE 49 PERCENT AND 11 PERCENT TRANSFER. AS SETTLEMENT WAS NOT EQUITABLE, THE COMPANY RESERVED ITS RIGHTS TO PURSUE ALL AVENUES FOR RIGHTFUL COMPENSATION INCLUDING EXPROPRIATION ACTION. IN THE COMPANY'S VIEW, THE 49 PERCENT EQUITY WAS NOT 'A CLOSED ISSUE';

B. COMPANY WILL APPEAL TO CIC REGARDING THE EVALUATION OF THE 11 PERCENT SHARES;

C. COMPANY WILL APPLY TO MINFINANCE FOR ACCEPTANCE OF TSA;

D. THE CONFISCATION OF MANAGING DIRECTOR LEVEVRE'S PASSPORT WAS AN UNWARRANTED ACTION WHICH WAS HINDERING THE COMPANY'S OPERATIONS AND WOULD IMPEDE IT IN RESOLVING DIFFERENCES WITH THE FMG.

7. AFOLABI REPLIED THAT THE PASSPORT CASE WAS A SUBJECT OUTSIDE THE AUTHORIZED FRAMEWORK OF THE MEETING BUT THAT HE WOULD PERSONALLY BECOME INVOLVED IN SOLVING THE PROBLEM.

8. ECON COUNSELOR ESCORTED AIG REPRESENTATIVES TO MEETING AND WAS PRESENT THROUGHOUT. ON RETURN TO EMBASSY FOR REVIEW CONFERENCE WITH AMBASSADOR, AIG REPRESENTATIVES EXPRESSED DIS-
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PAGE 02 LAGOS 00175 02 OF 02 061307Z

COURAGEMENT WITH WHAT THEY VIEWED AS OBDURACY AND LACK OF TECHNICAL EXPERTISE SHOWN BY NIGERIAN 'TECHNOCRATS'. MEETING HAD NOT BEEN ONE OF NEGOTIATION BUT A FORUM FOR JUSTIFYING ALREADY SET POSITIONS. COMPANY OFFICIALS ARE CONVINCED THAT ONLY WAY TO SOLVE IMPASSE IS FOR POLITICAL DECISION TO BE MADE AT SMC LEVEL PREFERABLY WITHOUT INTERFERENCE AND OBFUSCATION BY ALLEGEDLY INCOMPETENT WORKING LEVEL OFFICIALS. EMPHASIZING THE LONG TIME

ALREADY SPENT ON CASE, AIG BELIEVES THAT EXPROPRIATION ACTION INCREASINGLY LOOMS AS THE ONLY MEANINGFUL APPROACH, SOMETHING TO SHAKE THE NIGERIANS AWAKE. COMPANY REPS SAID THAT STATE DEPT. HAD AGREED THAT EXPROPRIATION CLAIM WAS JUSTIFIED.

8. AIG AND EMBASSY CONCLUDED THAT NEXT STEP SHOULD BE FOR AMBASSADOR AND ECON COUNSELOR TO AGAIN CALL ON MEA COMMISSIONER GARBA TO IMPRESS UPON HIM SERIOUSNESS OF AN EXPROPRIATION ACTION AND ITS CONSEQUENCES. IF GARBA SUFFICIENTLY GRASPS SIGNIFICANCE OF SITUATION AND AGREES TO AN ABOVE-TECHNOCRAT-LEVEL MEETING, AIG REPS WILL RETURN AT SHORT NOTICE. AIG BELIEVES IT CAN OFFER, AS IT HAS IN THE PAST TO UNHEEDING WORKING LEVEL OFFICERS, A VARIETY OF MUTALLY SATISFACTORY COMPROMISES THAT WILL ALLOW COMPANY TO ACCEPT PAR VALUE FOR SHARES AND NOT CAUSE FMG ANY EMBARRASING LOSS OF FACE. CRUCIAL NEED IS FOR TOP OFFICIALS WITH POWER OF POLITICAL DECISION TO SERIOUSLY FOCUS ON ISSUE AND BE MINDFUL OF THE NEGATIVE CONSEQUENCES BOTH INTERNATIONAL AND DOMESTIC WHICH WOULD ARISE FROM FAILURE TO COME TO A VIABLE AGREEMENT. WE ARE ATTEMPTING TO SET UP MEETING WITH GARBA DURING WEEK OF JANUARY 9.

9. COMMENT FYI: DESPITE AIG COMMENTS TO THE CONTRARY AFTER THE MEETING, FMG PARTICIPANTS IMPRESSED ECON COUNSELOR AS WELL PREPARED AND KNOWLEDGEABLE IN THEIR FIELDS. ALMOST EVERYONE ON THE NIGERIAN SIDE CONTRIBUTED TO DISCUSSION AND CONVINCINLY COUNTERED AIG ARGUMENTS. ALSO NOTEWORTHY IS SEEMING INCON-
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PAGE 03 LAGOS 00175 02 OF 02 061307Z

SISTENCY IN WHAT AIG REPRESENTATIVES WANT. WHILE STATING TO US THAT THEY WISHED EXPROPRIATION ACTION IN ORDER TO GET HIGHER EVALUATION OF SHARES, SAME EXECUTIVES LATER COMMENTED THAT THEY REALLY DIDN'T CARE ABOUT HIGHER VALUE FOR SHARES IF THEY COULD HAVE TRANSFER OF 11 PERCENT EQUITY DEFERRED FOR TERM OF PROPOSED TSA AGREEMENT. TEAM PROBABLY HAS CONFUSED NIGERIANS IN PROMISING ACTION AS STATED IN PARA 6; IN DISCUSSION AT EMBASSY, COMPANY OFFICIALS SAID THEY DID NOT INTEND TO DO THIS AS THERE WAS 'LITTLE SENSE' IN SUCH ACTIONS. WE PRESUME, HOWEVER, THAT MEETING NOW BEING SOUGHT WITH GARBA WILL HELP CRYSTALIZE AIG THINKING ON THE TACTICS AND STRATEGY TO BE FOLLOWED.
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